

HANCOCK COUNTY

INDEPENDENT AUDITOR'S REPORT
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

June 30, 2014

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HANCOCK COUNTY
Garner, Iowa

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Ted Hall	Board of Supervisors	Jan 2015
Florence Thomas-Greiman	Board of Supervisors	Jan 2015
Jerry Tlach	Board of Supervisors	Jan 2017
Michelle Eisenman	County Auditor	Jan 2017
Deborah Engstler	County Treasurer	Jan 2015
June Brady	County Recorder	Jan 2015
Scott Dodd	County Sheriff	Jan 2017
David Solheim	County Attorney	Jan 2015
Marianne Welsch	County Assessor	Appointed



Renner & Birchem, PC

Certified Public Accountants

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MICHAEL J. BIRCHEM, CPA, CFP®

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Independent Auditor's Report

To the Board of Supervisors
Hancock County
Garner, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Hancock County, Iowa, as of and for the year ended June 30, 2014, and the related Notes to the Financial Statements, which collectively comprise the County's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Hancock County as of June 30, 2014, and the respective changes in its financial position and, where applicable, its cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 6 through 11 and 37 through 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information


Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hancock County's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 12, 2014 on our consideration of Hancock County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Hancock County's internal control over financial reporting and compliance.

December 12, 2014


Renner & Birchem, P.C.
Britt, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

Hancock County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the county's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- Hancock County governmental funds revenue increased 4.8%, or approximately \$501,000 from 2013; operating grants, contributions and restricted interest decreased approximately \$213,000, charges for services decreased approximately \$246,000 and capital grants, contributions, and restricted interest increased approximately \$186,000.
- Program expenses of the County's governmental activities were 2.9%, or approximately \$305,000 less in fiscal 2014 than in fiscal year 2013. Physical health and social services and mental health decreased approximately \$578,000 and \$95,000 respectively.
- The County's net position increased 2.9%, or approximately \$548,000 at June 30, 2014.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements as well as other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the government's financial activities.

The Government-wide Financial Statements consists of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Hancock County as a whole and present an overall view of the County's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Hancock County's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining financial statements provide information about activities for which Hancock County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the nonmajor governmental and the individual Agency Funds.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-Wide Financial Statements

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Position presents all of the County's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between the two reported as "net position". Over time, increases or decreases in the County's net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The County's governmental activities are presented in the Statement of Net Position and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration and non-program activities. Property tax and state and federal grants finance most of these activities.

Fund Financial Statements

The County has three kinds of funds:

1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, and 2) the Special Revenue Funds such as Mental Health, Rural Service, Public Health and Secondary Roads. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

2) Proprietary funds account for the County's employee group health insurance, dental and vision insurance and internal service fund. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Fund Net Position and a Statement of Cash Flows.

3) Fiduciary funds are used to report assets held in a trust or agency capacity for others and cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for emergency management services and the County Assessor to name a few.

The required financial statement for fiduciary funds is a Statement of Fiduciary Assets and Liabilities.

Reconciliations between the government-wide financial statements and the governmental fund financial statements follow the governmental fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. The County's combined net position increased approximately \$132,000 from a year ago. The analysis that follows focuses on the changes in the net position for governmental activities.

Net Position of Governmental Activities (Expressed in Thousands)			
		June 30	
		2014	2013
Current and other assets	\$	11,465	10,713
Capital assets		14,320	14,278
Total assets		25,785	24,991
Long term liabilities		879	639
Other liabilities		376	502
Total liabilities		1,255	1,141
Deferred inflows of resources		5,174	5,042
Net Position			
Net Invested in capital assets		14,320	14,278
Restricted		3,732	3,462
Unrestricted		1,304	1,068
Total net position	\$	19,356	18,808

Net position of the County's governmental activities increased by 2.9%. The largest portion of the County's net position is the Invested in Capital Assets (e.g., land, infrastructure, buildings and equipment). Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, was approximately \$1.3 million at June 30, 2014.

Changes in Net Position of Governmental Activities (Expressed in Thousands)			
		Year ended June 30	
		2014	2013
Revenues:			
Program revenues:			
Charges for service	\$	853	1,099
Operating grants, contributions and restricted interest		2,995	3,208
Capital grants, contributions and restricted interest		343	157
General revenues:			
Property tax		5,148	4,459
Penalty and interest on property tax		58	41
State tax credits		175	176
Local option sales tax		410	443
Grants and contributions not restricted to specific purposes		270	114
Unrestricted investment earnings		237	242
Other general revenues		436	485
Total revenues:		10,925	10,424
Program expenses:			
Public safety and legal services		1,610	1,444
Physical health and social service		401	979
Mental health		504	599
County environment and education		524	525
Roads and transportation		5,307	5,255
Governmental services to residents		421	372
Administration		1,212	1,129
Non-program		398	379
Total expenses:		10,377	10,682
Change in net position		548	<258>
Net position beginning of year		18,808	19,066
Net position end of year	\$	19,356	18,808

The results of governmental activities for the year resulted in Hancock County's net position increasing by approximately \$548,000. Revenues for governmental activities increased by approximately \$501,000 over the prior year.

The cost of all governmental activities this year was \$10.4 million compared to \$10.7 million last year. However, as shown in the Statement of Activities on page 14, the amount ultimately financed for these activities through County taxes and other unrestricted revenues was only \$6.2 million because some of the cost was paid by those directly benefited from the

programs (\$852,504) or by other governments and organizations that subsidized certain programs with grants and contributions (\$3,337,800).

THE COUNTY'S INDIVIDUAL MAJOR FUNDS

As the County completed the year, its governmental funds reported a combined fund balance of \$5.6 million, which is \$0.4 million more than last year's total of \$5.2 million. The County funds received approximately \$464,000 more in operating revenue than expenditures for the year. The following are reasons for major changes in fund balances from the prior year:

- The ending General Fund balance showed an increase from the prior year of \$296,000 to \$1,668,278.
- The Rural Services Fund increased by \$295,000 from the prior year and reflects a balance \$437,491.
- Secondary Roads Fund expenditures increased by approximately \$730,536 over the prior year. The County continues to aggressively upgrade and maintain the condition of the County roadway system but weather conditions in early Spring can create problems with bridge and road construction. The Secondary Road Fund balance at year end decreased by approximately \$92,000 over the prior year.
- The Secondary Road Highway 111 Fund balance increased by \$4,473 over the prior year and reflects a balance of \$897,810.
- The Mokry Trust Fund balance increased by \$2,952 from the prior year and reflects a balance of \$592,585.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Supervisors annually adopts a budget following required public notice and hearing for all funds, except agency funds. Although the budget document presents functional disbursements by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The County budget is prepared on the cash basis. Over the course of the year, the County amended its operating budget two times. The amendments resulted in an increase in budgeted disbursements of \$202,977.

None of the amendments made during the 2014 fiscal year should have any impact on the 2015 fiscal year's budget.

CAPITAL ASSETS

At June 30, 2014 Hancock County had approximately \$14.3 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This amount represents a net increase (including additions and deletions and depreciation) of approximately \$42,000 or 0.3% from last year.

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)			
		2014	2013
Land	\$	357	357
Buildings and improvements		4,545	4,714
Machinery and equipment		1,853	1,791
Infrastructure		7,565	7,416
Totals	\$	14,320	14,278

The County had depreciation expense of \$1,083,200 for the year ended June 30, 2014 and total accumulation depreciation as of June 30, 2014 of \$27,134,213.

The County's fiscal year 2014 capital budget included \$791,300 for capital projects, principally for the continued upgrading of secondary roads, equipment and bridges. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Hancock County's elected and appointed officials and citizens considered many factors when setting the 2015 fiscal year budget, tax rates, and the fees that will be charged for the various County activities. One of those factors is the economy which includes oil, gas prices and utility costs. Others include land valuations and the consumer price index (CPI). The County has added no major new programs or initiative to the 2015 budget.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Hancock County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County Auditor's Office, Hancock County, 855 State Street, Garner, Iowa.

BASIC FINANCIAL STATEMENTS

Hancock County
Garner, Iowa

Exhibit A

Statement of Net Position
June 30, 2014

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 5,254,909
Receivables:	
Property tax:	
Delinquent	5,160
Succeeding year	5,173,678
Accounts	91,405
Accrued interest	2,892
Drainage assessments	256,770
Due from other governments	246,757
Inventories	350,744
Prepaid insurance	82,635
Capital assets (net of accumulated depreciation)	14,319,711
Total assets	<u>25,784,661</u>
Liabilities	
Accounts payable	228,886
Salaries and benefits payable	147,039
Long-term liabilities:	
Portion due or payable within one year:	
Compensated absences	33,835
Portion due or payable after one year:	
Drainage district warrants and certificates payable	493,805
Net OPEB liability	351,549
Total liabilities	<u>1,255,114</u>
Deferred Inflows of Resources	
Unavailable property tax revenue	<u>5,173,679</u>
Net Position	
Invested in capital assets	14,319,711
Restricted for:	
Supplemental levy purposes	3,625
Mental health purposes	149,624
Rural services purposes	437,491
Secondary roads purposes	1,245,682
Other purposes	1,895,458
Unrestricted	1,304,277
Total net position	<u>\$ 19,355,868</u>

See notes to financial statements.

Hancock County
Garner, Iowa

Exhibit B

Statement of Activities
Year ended June 30, 2014

	Expenses	Charges for Services	Program Revenues		Net (Expense) Revenue and Changes in Net Position
			Operating Grants, Contributions and Restricted Interest	Capital Grants Contributions and Restricted Interest	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 1,609,465	56,381			(1,553,084)
Physical health and social services	400,929		18,461		(382,468)
Mental health	504,389		13,015		(491,374)
County environment and education	524,435	73,566	16,444		(434,425)
Roads & transportation	5,307,304	303,697	2,936,996	342,884	(1,723,727)
Governmental services to residents	420,634	210,171	10,000		(200,463)
Administration	1,212,058	9,822			(1,202,236)
Non-program	398,229	198,867			(199,362)
Total	\$ 10,377,443	852,504	2,994,916	342,884	(6,187,139)
General Revenues:					
Property and other county tax levied for general purposes					5,147,701
Penalty and interest on property tax					58,158
State tax credits					175,437
Local option sales tax					410,319
Grants and contributions not restricted to specific purpose					269,769
Unrestricted investment earnings					236,966
Miscellaneous					436,245
Total general revenues					6,734,595
Change in net position					547,456
Net position beginning of year					18,808,412
Net position end of year					\$ 19,355,868

See notes to financial statements.

Hancock County
Garner, Iowa

Exhibit C

Balance Sheet
Governmental Funds

June 30, 2014

	Special Revenue						Total
	General	Rural Services	Secondary Roads	Secondary Roads Hwy 111	Mokry Poor Trust	Nonmajor Special Revenue	
Assets							
Cash and pooled investments	\$ 1,691,015	443,861	620,412	897,810	592,585	899,266	5,144,949
Receivables:							
Property tax:							
Delinquent	3,705	733				722	5,160
Succeeding year	2,675,191	1,981,696				516,791	5,173,678
Accounts	50,119		36,649			4,637	91,405
Accrued interest	2,892						2,892
Drainage assessments						256,770	256,770
Due from other governments	3,660		215,084			28,013	246,757
Inventories			350,744				350,744
Prepaid insurance	35,045		43,922			3,668	82,635
Total assets	\$ 4,461,627	2,426,290	1,266,811	897,810	592,585	1,709,867	11,354,990
Liabilities, Deferred Inflows of Resources and Fund Balances							
Liabilities:							
Accounts payable	\$ 50,625	3,154	106,467			68,640	228,886
Salaries and benefits payable	64,383	3,219	71,437			8,000	147,039
Total liabilities	115,008	6,373	177,904			76,640	375,925
Deferred inflows of resources:							
Unavailable resources:							
Succeeding year property tax	2,675,191	1,981,697				516,791	5,173,679
Other	3,150	729				184,443	188,322
Total deferred inflows of resources	2,678,341	1,982,426				701,234	5,362,001
Fund balances:							
Nonspendable:							
Inventories			350,744				350,744
Prepaid insurance	35,045		43,922			3,668	82,635
Trust						30,000	30,000
Restricted for:							
Supplemental levy purposes	3,625						3,625
Mental health purposes						148,932	148,932
Rural service purposes		437,491					437,491
Secondary roads purposes			694,241				694,241
Drainage						310,054	310,054
Other purposes				897,810	592,585	439,339	1,929,734
Committed for capital improvements	51,000						51,000
Unassigned	1,578,608						1,578,608
Total fund balances	1,668,278	437,491	1,088,907	897,810	592,585	931,993	5,617,064
Total liabilities, deferred inflows of resources and fund balances	\$ 4,461,627	2,426,290	1,266,811	897,810	592,585	1,709,867	11,354,990

See notes to financial statements.

Hancock County
Garner, Iowa

Exhibit D

Reconciliation of the Balance Sheet-
Governmental Funds to the Statement of Net Position

June 30, 2014

Total governmental fund balances (page 15) \$ 5,617,064

*Amounts reported for governmental activities in the Statement of Net
Position are different because:*

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$41,453,973 and the accumulated depreciation is \$27,134,214. 14,319,711

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. - 188,322

The Internal Service Fund is used by management to charge the costs of partial self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets. 109,960

Long-term liabilities, including drainage warrants and certificates, OPEB and compensated absences payable, are not due and payable in the current period and, therefore, are not reported in the funds. (879,189)

Net position of governmental activities (page 13) \$ 19,355,868

See notes to financial statements.

Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds

Year ended June 30, 2014

	Special Revenue						Total
	General	Rural Services	Secondary Roads	Secondary Roads Hwy 111	Mokry Poor Trust	Nonmajor Governmental	
Revenues:							
Property and other county tax	\$ 2,550,381	2,292,302				514,271	5,356,954
Interest and penalty on property tax	36,820						36,820
Intergovernmental	314,051	69,477	3,370,020			252,684	4,006,232
Licenses and permits			2,900			18,246	21,146
Charges for services	283,109					67,081	350,190
Use of money and property	181,994		41,751	4,473	2,952	5,422	236,592
Miscellaneous	11,180		303,697			23,771	338,648
Total revenues	3,377,535	2,361,779	3,718,368	4,473	2,952	881,475	10,346,582
Expenditures:							
Operating:							
Public safety and legal services	1,504,820	87,314					1,592,134
Physical health and social services	75,380					313,981	389,361
Mental health						504,389	504,389
County environment and education	17,971	219,001				279,854	516,826
Roads and transportation			4,980,331				4,980,331
Governmental services to residents	363,741	7,414				20,421	391,576
Administration	889,129	2,677					891,806
Non-program	578					397,651	398,229
Capital projects			580,153			9,619	589,772
Total expenditures	2,851,619	316,406	5,560,484			1,525,915	10,254,424
Excess(deficiency) of revenues over (under) expenditures	525,916	2,045,373	(1,842,116)	4,473	2,952	(644,440)	92,158
Other financing sources (uses):							
Operating transfers in			1,750,000			230,000	1,980,000
Operating transfers out	(230,000)	(1,750,000)					(1,980,000)
Drainage proceeds						372,190	372,190
Total other financing sources (uses)	(230,000)	(1,750,000)	1,750,000			602,190	372,190
Change in fund balances	295,916	295,373	(92,116)	4,473	2,952	(42,250)	464,348
Fund balances beginning of year	1,372,362	142,118	1,181,023	893,337	589,633	974,243	5,152,716
Fund balances end of year	\$ 1,668,278	437,491	1,088,907	897,810	592,585	931,993	5,617,064

See notes to financial statements.

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds to the Statement
of Activities

Year Ended June 30, 2014

Change in fund balances - Total governmental fund (page 17) \$ 464,348

*Amounts reported for governmental activities in the Statement of
Activities are different because:*

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlays exceeded depreciation expense in the current year as follows:

Expenditures for capital assets	1,126,040	
Depreciation expense	<u>(1,083,200)</u>	42,840

In the Statement of Activities, the loss on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources. (896)

Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are deferred in the governmental funds.

Property tax	(820)	
Other	<u>914</u>	94

Repayment of drainage warrants more than current year issues. 7,687

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, as follows:

Compensated absences	6,546	
Other postemployment benefits	<u>(60,341)</u>	(53,795)

The Internal Service Fund is used by management to charge the costs of employee health benefits to individual funds. The net revenue (loss) of the Internal Service Fund is reported with governmental activities.

87,178

Change in net position of governmental activities (page 14) \$ 547,456

See notes to financial statements.

Hancock County
Garner, Iowa

Exhibit G

Statement of Net Position

Proprietary Fund

June 30, 2014

	<u>Medical Benefits</u>
Assets	
Cash and cash equivalents	<u>\$ 198,442</u>
Total assets	<u>198,442</u>
Current Liabilities	
Accounts payable	<u>88,482</u>
Net Position	
Unrestricted	<u><u>\$ 109,960</u></u>

See notes to financial statements.

Hancock County
Garner, Iowa

Exhibit H

Statement of Revenues, Expenses, and Changes
in Fund Net Position

Proprietary Fund

Year ended June 30, 2014

		Medical Benefits
Operating revenues:		
Reimbursements		\$ 1,142,865
Operating expenses:		
Administrative fees	1,793	
Insurance premiums	<u>1,054,269</u>	<u>1,056,062</u>
Operating income		86,803
Non-operating revenues:		
Interest		<u>375</u>
Net income		87,178
Net position beginning of year		<u>22,782</u>
Net position end of year		<u><u>\$ 109,960</u></u>

See notes to financial statements.

Hancock County
Garner, Iowa

Exhibit I

Statement of Cash Flows

Proprietary Fund

Year ended June 30, 2014

	Medical Benefits
Cash flows from operating activities:	
Cash received from reimbursements	\$ 1,142,865
Cash payments to suppliers for services	967,580
Net cash provided by operating activities	<u>175,285</u>
Cash flows from investing activities:	
Interest on investments	<u>375</u>
Net increase in cash and cash equivalents	175,660
Cash and cash equivalents beginning of year	<u>22,782</u>
Cash and cash equivalents end of year	<u><u>\$ 198,442</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 86,803
Adjustments to reconcile operating income to net cash provided by operating activities:	
Increase in accounts payable	<u>88,482</u>
Net cash provided by operating activities	<u><u>\$ 175,285</u></u>

See notes to financial statements.

Hancock County
Garner, Iowa

Exhibit J

Statement of Fiduciary Assets and Liabilities

Agency Funds

June 30, 2014

Assets

Cash and pooled investments:	
County Treasurer	\$ 760,718
Other County officials	46,022
Property tax receivable:	
Delinquent	30,987
Succeeding year	16,162,892
Accounts receivable	34,597
Prepaid insurance	789
Total assets	<u>\$ 17,036,005</u>

Liabilities

Accounts payable	\$ 49,863
Salaries and benefits payable	9,155
Due to other governments	16,934,079
Trust payable	40,109
Compensated absences	2,799
Total liabilities	<u>17,036,005</u>

Net position	<u><u>\$ -</u></u>
---------------------	--------------------

See notes to financial statements.

HANCOCK COUNTY

Garner, Iowa

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

1. Summary of Significant Accounting Policies

Hancock County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Hancock County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the County.

These financial statements present Hancock County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Blended Component Units - The following component units are entities which are legally separate from the County, but are so intertwined with the County they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

Drainage districts have been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although these districts are legally separate from the County, they are controlled, managed and supervised by the Hancock County Board of Supervisors. The drainage districts are reported as a Special Revenue Fund. Financial information of the individual drainage districts can be obtained from the Hancock County Auditor's office.

Jointly Governed Organizations - The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Hancock County Assessor's Conference Board, Hancock County Emergency Management Commission, Hancock County Board of Health, Hancock County Conservation Board and Hancock County Joint E911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

B. **Basis of Presentation**

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the County and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

The Statement of Net Position presents the County's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories.

Net Investment in capital assets consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances for bonds, notes and other debt that are attributable to the acquisition, construction or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in an restricted net position.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas.

The Secondary Roads Fund is used to account for the road use tax allocation from the State of Iowa, required transfers from General and Special Revenue, Rural Services Funds and other revenues to be used for secondary road construction and maintenance.

The Secondary Road Highway 111 Fund is used to account for maintenance and operations of James Avenue, formerly Highway 111.

The Morky Poor Trust Fund consists of funds donated by an individual to assist in operations of Duncan Heights.

Additionally, the County reports the following funds:

Proprietary Fund - An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost reimbursement basis.

Fiduciary Funds - Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/ or other funds.

C. **Measurement Focus and Basis of Accounting**

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the County's policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications-committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Internal Service Fund is charges to customers for sales and services. Operating expenses for Internal Service Funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund unless otherwise provided by law. Investments are stated at fair value except for the non-negotiable certificates of deposit which are stated at cost.

For purposes of the Statement of Cash Flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with 1 1/2% per month penalty for delinquent payments; is based on January 1, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2013.

Interest and Penalty on Property Tax Receivable - Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

Drainage Assessments Receivable - Drainage assessments receivable represent amounts assessed to individuals for work done on drainage districts which benefit their property. These assessments are payable by individuals in not less than 10 nor more than 20 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Delinquent drainage assessments receivable represent assessments which are due and payable but have not been collected. Succeeding year drainage assessments receivable represents remaining assessments which are payable but not yet due.

Due from and Due to Other Funds - During the course of its operations, the County has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2014, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method. Inventories consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets acquired after July 1, 1980 (e.g., roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Infrastructure	\$ 50,000
Land, buildings and improvements	25,000
Equipment and vehicles	5,000

Capital Assets of the County are depreciated/amortized using the straight line method over the following estimated useful lives.

<u>Asset Class</u>	<u>Estimated Useful lives (In Years)</u>
Buildings and improvements	20 – 50
Infrastructure	12 – 65
Equipment	5 – 10
Vehicles	5 – 10

Due to Other Governments - Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable - Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Deferred Inflows of Resources - Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivables that will not be recognized until the year for which it is levied and unspent grant proceeds.

Long-Term Liabilities – In the government-wide and proprietary fund financial statements long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund Statement of Net Position.

Compensated Absences - County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2014. The compensated absences liability attributable to the governmental activities will be paid primarily by the General and Secondary Roads Funds.

Fund Equity - In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the Board of Supervisors through ordinance or resolution approved prior to year end. Committed amounts cannot be used for any other purpose unless the Board of Supervisors removes or changes the specified use by taking the same action it employed to commit those amounts.

Assigned – Amounts the Board of Supervisors intend to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

Net Position – The net position of the Internal Service, Employee Group Health Fund is designated for anticipated future catastrophic losses of the County.

E. **Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

2. **Cash, Cash Equivalents and Pooled Investments**

The County's deposits in banks at June 30, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The County had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

Interest rate risk – The County's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the County.

3. **Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
Special Revenue:	Special Revenue:	
Secondary Roads	Rural Services	\$1,750,000
Conservation	General	<u>230,000</u>
		<u>\$1,980,000</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

4. Capital Assets

Capital assets activity for the year ended June 30, 2014 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 356,891			356,891
Total capital assets not being depreciated	356,891			356,891
Capital assets being depreciated:				
Buildings	7,931,961			7,931,961
Machinery and equipment	8,702,967	550,427	(53,221)	9,200,173
Infrastructure	23,389,287	575,613		23,964,900
Total capital assets being depreciated	40,024,215	1,126,040	(53,221)	41,097,034
Less accumulated depreciation for:				
Buildings	3,218,647	168,443		3,387,090
Machinery and equipment	6,911,750	487,853	(52,325)	7,347,278
Infrastructure, road network	15,972,941	426,904		16,399,845
Total accumulated depreciation	26,103,338	1,083,200	(52,325)	27,134,213
Total capital assets being depreciated, net	13,920,877	42,840	(896)	13,962,821
Governmental activities capital assets, net	14,277,768	42,840	(896)	14,319,712

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 70,456
Physical health and social services	11,568
County environment and education	31,104
Roads and transportation	820,774
Governmental services to residents	32,676
Administrative services	116,622
Total depreciation expense - Governmental activities	<u>\$ 1,083,200</u>

5. **Due to Other Governments**

The County acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments at June 30, 2014 is as follows:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
Agency:		
Schools	Collections	\$ 9,870,463
Community Colleges		544,264
Corporations		3,999,379
Auto License & Use Tax		300,565
Townships		273,688
County Hospital		1,192,296
All other		<u>753,424</u>
Total for agency funds		<u>\$16,934,079</u>

6. **Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2014 is as follows:

	<u>Drainage Warrants</u>	<u>Compensated Absences</u>	<u>Net OPEB Liability</u>	<u>Total</u>
Balance beginning of year	\$ 501,492	40,381	291,208	833,081
Increases	364,503		60,341	424,844
Decreases	<u>(372,190)</u>	<u>(6,546)</u>		<u>(378,736)</u>
Balance end of year	<u>\$ 493,805</u>	<u>33,835</u>	<u>351,549</u>	<u>879,189</u>
Due within one year		<u>33,835</u>		<u>33,835</u>

7. **Pension and Retirement Benefits**

The County contributes to the Iowa Public Employees' Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 5.95% of their annual covered salary and the County is required to contribute 8.93% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$289,414, \$296,890, and \$291,580 respectively, equal to the required contributions for each year.

8. **Other Postemployment Benefits (OPEB)**

Plan Description. The County operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 76 active and 1 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a partially self-funded medical plan administered by Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy. The contribution requirements of plan members are established and may be amended by the County. The County currently finances the retirees benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation. The County's annual OPEB cost is calculated based on the annual required contribution (ARC) of the County, an amount actuarially determined in accordance with GASB Statement No.45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2014, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 76,757
Interest on net OPEB obligation	7,280
Adjustment to annual required contribution	<u>(18,837)</u>
Annual OPEB cost	65,200
Contributions made-implicit	<u>(4,859)</u>
Increase in net OPEB obligation	60,341
Net OPEB obligation beginning of year	<u>291,208</u>
Net OPEB obligation end of year	<u>\$ 351,549</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2012. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014.

For the year ended June 30, 2014, the County contributed \$4,859 to the medical plan. Plan members eligible for benefits contributed \$16,362.

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2011	\$ 78,064	3.3%	\$ 144,145
June 30, 2012	85,310	3.1%	226,807
June 30, 2013	69,012	6.6%	291,208
June 30, 2014	65,200	6.6%	351,549

Funded Status and Funding Progress. As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$617,938, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$572,779. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,730,000 and the ratio of the UAAL to covered payroll was 22.6%. As of June 30, 2014, there were no trust fund assets.

Actuarial Methods and Assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2012 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions includes a 2.5% discount rate based on the County's funding policy. The ultimate medical trend rate is 6%.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2010 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2010.

Projected claim costs of the medical plan are \$602 per month for retirees less than age 65. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

9. **Risk Management**

The County is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

10. **Employee Health Insurance Plan**

The Hancock County Employee Medical Benefits Fund was established to account for the partial self funding of the County's health insurance benefit plan. Hancock County has entered into an administrative services agreement with Wellmark Blue Cross and Blue Shield to administer the plan. The agreement is subject to automatic renewal provisions.

Monthly payments of services fees and plan contributions to the Hancock County Medical Benefits Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Employee Benefit Systems who in turn submit the premium payments to Wellmark Blue Cross and Blue Shield from the County Medical Benefits Fund. The County records the plan assets and related liabilities of the Hancock County Medical Benefits Fund as an Internal Service Fund.

11. **Prospective Accounting Change**

The Governmental Accounting Standards Board has issued Statement No.68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

REQUIRED SUPPLEMENTARY INFORMATION

Hancock County
Garner, Iowa

Budgetary Comparison Schedule of

Receipts, Disbursements and Changes in Balances -

Budget and Actual (Cash Basis) - All Governmental Funds

Required Supplementary Information

Year ended June 30, 2014

	Actual	Less Funds not Required to be Budgeted	Net	Budgeted Amounts		Final to Net Variance
				Original	Final	
Receipts:						
Property and other county tax	\$ 5,428,916		5,428,916	5,426,299	5,426,299	2,617
Interest and penalty on property tax	37,472		37,472	35,000	35,000	2,472
Intergovernmental	4,046,816		4,046,816	3,665,381	3,913,758	133,058
Licenses and permits	21,241		21,241	25,406	20,956	285
Charges for services	359,505		359,505	343,440	343,440	16,065
Use of money and property	235,438		235,438	250,625	250,625	(15,187)
Miscellaneous	331,312	16,860	314,452	174,100	177,600	136,852
Total receipts	10,460,700	16,860	10,443,840	9,920,251	10,167,678	276,162
Disbursements:						
Public safety and legal services	1,573,833		1,573,833	1,563,894	1,622,865	49,032
Physical health and social services	378,888		378,888	348,681	477,387	98,499
Mental health	502,406		502,406	561,649	561,649	59,243
County environment and education services	499,546		499,546	558,417	565,042	65,496
Roads and transportation	4,956,903		4,956,903	4,988,300	4,988,300	31,397
Governmental services to residents	393,639		393,639	425,201	425,201	31,562
Administration	896,959		896,959	973,063	978,063	81,104
Non-program	398,066	397,651	415	11,700	11,700	11,285
Capital projects	590,113		590,113	787,625	791,300	201,187
Total disbursements	10,190,353	397,651	9,792,702	10,218,530	10,421,507	628,805
Excess (deficiency) of receipts over (under) disbursements	270,347	(380,791)	651,138	(298,279)	(253,829)	904,967
Other financing sources, net	372,190	372,190				
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	642,537	(8,601)	651,138	(298,279)	(253,829)	904,967
Balance beginning of year	4,575,431	318,655	4,256,776	3,120,325	3,120,325	1,136,451
Balance end of year	\$ 5,217,968	310,054	4,907,914	2,822,046	2,866,496	2,041,418

See accompanying independent auditor's report.

Hancock County
Garner, Iowa

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2014

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 10,460,700	(114,118)	10,346,582
Expenditures	10,190,353	64,071	10,254,424
Net	270,347	(178,189)	92,158
Other financing sources, net	372,190		372,190
Beginning fund balances	4,575,431	577,285	5,152,716
Ending fund balances	<u>\$ 5,217,968</u>	<u>399,096</u>	<u>5,617,064</u>

See accompanying independent auditor's report.

Hancock County
Garner, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2014

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except blended component units, the Internal Service Fund and Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$202,977. The budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the Joint E911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

Hancock County
Garner, Iowa

Schedule of Funding Progress for the
Retiree Health Plan

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 625,868	625,868	0.0%	3,453,000	18.1%
2011	July 1, 2009	-	618,997	618,997	0.0	3,524,000	17.6
2012	July 1, 2009	-	581,101	581,101	0.0	3,191,000	18.2
2013	July 1, 2012	-	617,938	617,938	0.0	2,730,164	22.6
2014	July 1, 2012	-	572,779	572,779	0.0	3,005,204	19.1

See Note 8 in the accompanying Notes to Financial Statements for the Plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

SUPPLEMENTARY INFORMATION

Hancock County
Garner, Iowa

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2014

	Mental Health	Communi- cations Revolving	Public Health Nurses	Drainage Districts	Conservation Reserve	Conservation	Resource Enhancement & Protection	County Recorders Records Management	Funnemark Trust	Total
Assets										
Cash and pooled investments	\$ 151,392	76,955	205,894	237,035	20,857	81,070	60,897	28,350	36,816	899,266
Receivables:										
Property tax:										
Delinquent	722									722
Succeeding year	516,791									516,791
Accounts						1,884	2,100	653		4,637
Drainage assessments				256,770						256,770
Due from other governments			28,013							28,013
Prepaid insurance						3,668				3,668
Total Assets	668,905	76,955	233,907	493,805	20,857	86,622	62,997	29,003	36,816	1,709,867
Liabilities, Deferred Inflows of Resources and Fund Equity										
Liabilities:										
Accounts payable	768		32,390			30,482	5,000			68,640
Salaries and benefits payable	1,722					6,278				8,000
Total liabilities	2,490		32,390			36,760	5,000			76,640
Deferred inflows of resources:										
Unavailable revenues:										
Succeeding years property tax	516,791									516,791
Other	692			183,751						184,443
Total deferred inflows of resources	517,483			183,751						701,234
Fund balances:										
Nonspendable:										
Prepaid insurance						3,668				3,668
Trust									30,000	30,000
Restricted for:										
Mental health purposes	148,932									148,932
Drainage				310,054						310,054
Other purposes		76,955	201,517		20,857	46,194	57,997	29,003	6,816	439,339
Total fund equity	148,932	76,955	201,517	310,054	20,857	49,862	57,997	29,003	36,816	931,993
Total Liabilities, Deferred Inflows of Resources and Fund Equity	\$ 668,905	76,955	233,907	493,805	20,857	86,622	62,997	29,003	36,816	1,709,867

See accompanying independent auditor's report.

Hancock County
Garner, IowaCombining Schedule of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Governmental Funds
Year ended June 30, 2014

	Mental Health	Communi- cations Revolving	Public Health Nurses	Drainage Districts	Conservation Reserve	Conservation	Resource Enhancement & Protection	County Recorder's Records Management	Fundmark Trust	Total
Revenues:										
Property and other county tax	\$ 513,583					688				514,271
Intergovernmental	34,353		201,887				16,444			252,684
License and permits			18,246							18,246
Charges for services			250			64,256		2,575		67,081
Uses of money and property						4,718	306	215	183	5,422
Miscellaneous	678		1,684	16,860	1,000	1,449	2,100			23,771
Total revenues	548,614		222,067	16,860	1,000	71,111	18,850	2,790	183	881,475
Expenditures:										
Operating:										
Physical health and social services			313,981							313,981
Mental health	504,389									504,389
County environment and education					625	279,229				279,854
Governmental services to residents								20,421		20,421
Capital projects							9,619			9,619
Non-Program										397,651
Total expenditures	504,389		313,981	397,651	625	279,229	9,619	20,421		1,525,915
Excess (deficiency) of revenues over (under) expenditures	44,225		(91,914)	(380,791)	375	(208,118)	9,231	(17,631)	183	(644,440)
Other financing sources (uses):										
Drainage proceeds				372,190						372,190
Transfers in						230,000				230,000
Total other financing sources (uses):				372,190		230,000				602,190
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses:	44,225		(91,914)	(8,601)	375	21,882	9,231	(17,631)	183	(42,250)
Fund balances beginning of year	104,707	76,955	293,431	318,655	20,482	27,980	48,766	46,634	36,633	974,243
Fund balances end of year	\$ 148,932	76,955	201,517	310,054	20,857	49,862	57,997	29,003	36,816	931,993

See accompanying independent auditor's report.

Hancock County
Garner, Iowa

Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2014

	County Hospital	Auto License & Use Tax	Brucellosis & Tuberculosis Eradication	E-911	County Offices		Emergency Management Services	EMA Storm Safe	County Assessor
					Recorder	Sheriff			
Assets									
Cash and pooled investments:									
County treasurer	\$ 10,114	280,363	1,345	121,063	23,581	22,441	28,277	2,496	155,086
Other County officials									
Receivables:									
Property tax:									
Delinquent	1,580		4						377
Succeeding year	1,180,602		2,778						279,787
Accounts		20,202		6,651			7,148	54	338
Prepaid insurance									789
Total Assets	1,192,296	300,565	4,127	127,714	23,581	22,441	35,425	2,550	436,377
Liabilities									
Salaries payable							2,320		6,835
Accounts payable				47,310			453		2,100
Due to other governments				80,404	5,913		31,594	2,550	425,701
Trusts payable	1,192,296	300,565	4,127		17,668	22,441			
Compensated absences							1,058		1,741
Total Liabilities	\$ 1,192,296	300,565	4,127	127,714	23,581	22,441	35,425	2,550	436,377

Hancock County
Garner, Iowa

Schedule 3
(continued)

Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2014

	Schools	Community Colleges	Corporations	Townships	City Special Assessments	Advance Tax	Ag Extension Education	Parital Tax Payment	Recorder Electronic Transaction Fee	Total
Assets										
Cash and pooled investments:										
County treasurer	90,342	4,773	38,493	2,384	4,918	19,196	1,520	115	233	760,718
Other County officials										46,022
Receivables:										
Property tax:										
Delinquent	14,509	800	13,362	118			237			30,987
Succeeding year	9,765,612	538,691	3,947,524	271,186			176,712			16,162,892
Accounts									204	34,597
Prepaid insurance										789
Total Assets	9,870,463	544,264	3,999,379	273,688	4,918	19,196	178,469	115	437	17,036,005
Liabilities										
Salaries payable										9,155
Accounts payable										49,863
Due to other governments	9,870,463	544,264	3,999,379	273,688	4,918	19,196	178,469	115	437	16,934,079
Trusts payable										40,109
Compensated absences										2,799
Total Liabilities	9,870,463	544,264	3,999,379	273,688	4,918	19,196	178,469	115	437	17,036,005

See accompanying independent auditor's report.

Hancock County
Garner, Iowa

Schedule 4

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds
Year ended June 30, 2014

	County Offices								Emergency Management Services	EMA Storm Safe	County Assessor
	County Hospital	Auto License & Use Tax	Brucellosis & Tuberculosis Eradication	E-911	Auditor	Recorder	Sheriff				
Assets and Liabilities											
Balance beginning of year	\$ 1,169,047	269,527	3,989	144,661		30,877	21,324		32,920	5,000	409,889
Additions:											
Property and other county tax	1,124,220		2,642								268,028
E-911 surcharge				112,541							
State tax credits	46,708		110								11,136
Office fees and collections					12,395	211,597	175,759				
Auto licenses, use tax and postage		3,535,847							65,053		
Assessments											
Trusts							203,468				
Miscellaneous											
Total additions	1,170,928	3,535,847	2,752	112,541	12,395	211,597	379,227		14,519	2,050	1,577
Deductions:											
Agency remittances:											
To other funds		127,046									
To other governments	1,147,679	3,377,763	2,614	129,488	12,395	83,373	175,104		77,067	4,500	254,253
Trusts paid out						135,520	203,006				
Total deductions	1,147,679	3,504,809	2,614	129,488	12,395	218,893	378,110		77,067	4,500	254,253
Balance end of year	\$ 1,192,296	300,565	4,127	127,714		23,581	22,441		35,425	2,550	436,377

Hancock County
Garner, IowaCombining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds
Year ended June 30, 2014

Assets and Liabilities	City								Recorder		Total
	Schools	Community Colleges	Corporation	Townships	Special Assessments	Advance Tax	Agricultural Extension Education	Partial Tax Payments	Electronic Transaction Fee	Other	
Balance beginning of year	9,976,490	552,018	3,941,450	272,079	4,939	23,224	175,822	115	480	447	17,034,298
Additions:											
Property and other county tax	9,560,564	530,206	3,805,428	260,735			168,902				15,720,725
E-911 surcharge											112,541
State tax credits	408,479	22,036	173,021	10,450			7,017		2,575		678,957
Office fees and collections											402,326
Auto licenses, use tax and postage					41,270						3,535,847
Assessments											106,323
Trusts											203,468
Miscellaneous									1		18,147
Total additions	9,969,043	552,242	3,978,449	271,185	41,270		175,919		2,576		20,778,334
Deductions:											
Agency remittances:											
To other funds											397,918
To other governments	10,075,070	559,996	3,920,520	269,576	41,291	4,028	173,272			447	20,037,564
Trusts paid out									2,619		341,145
Total deductions	10,075,070	559,996	3,920,520	269,576	41,291	4,028	173,272		2,619	447	20,776,627
Balance end of year	9,870,463	544,264	3,999,379	273,688	4,918	19,196	178,469	115	437		17,036,005

See accompanying independent auditor's report.

Schedule of Revenues by Source and Expenditures by Function -
All Governmental Fund Types
For the Last Ten Years

	Modified Accrual Basis									
	2014	2013	2012	2,011	2010	2009	2008	2007	2006	2005
Revenues:										
Property and other county tax	\$ 5,356,954	4,903,734	4,439,081	4,195,541	4,154,689	3,932,859	3,962,390	3,839,962	3,741,332	3,717,372
Interest and penalty on property tax	36,820	41,397	33,827	38,081	43,061	32,951	39,036	28,197	31,087	28,282
Intergovernmental	4,006,232	4,012,171	4,769,112	5,329,531	5,519,798	5,906,982	5,701,445	6,672,034	5,465,711	5,373,825
Licenses and permits	21,146	18,543	21,084	16,374	14,185	8,450	25,143	4,970	3,525	1,075
Charges for service	350,190	449,516	431,525	462,115	436,017	466,361	493,421	490,931	465,932	457,339
Use of money and property	236,592	242,061	195,651	189,631	288,099	338,872	538,173	560,430	370,550	242,888
Miscellaneous	338,648	291,419	365,249	268,081	311,157	633,382	276,442	350,211	396,428	665,255
Total	\$ 10,346,582	9,958,841	10,255,529	10,499,354	10,767,006	11,319,857	11,036,050	11,946,735	10,474,565	10,486,036
Expenditures:										
Current:										
Public safety and legal services	\$ 1,592,134	1,453,483	1,448,307	1,373,179	1,342,131	1,410,380	1,275,578	1,224,289	1,173,102	1,110,007
Physical health and social services	389,361	785,469	951,061	1,366,563	1,882,320	1,967,479	2,365,677	2,583,799	2,040,593	1,961,517
Mental health	504,389	599,196	1,379,581	1,514,115	1,448,811	1,391,175	1,564,440	1,487,274	1,373,780	1,306,593
County environment and education services	516,826	494,786	466,185	574,489	550,973	655,648	510,251	586,271	508,975	567,613
Roads and transportation	4,980,331	4,625,394	5,247,207	4,456,997	4,791,533	4,290,147	4,231,769	3,706,164	3,739,113	3,253,904
Governmental services to residents	391,576	339,728	320,701	313,345	327,706	348,263	318,733	293,242	415,247	307,543
Administrative services	891,806	866,368	903,791	885,226	923,698	1,029,855	923,876	889,268	933,683	857,766
Non-program	398,229	379,014	565,434	630,786	461,774	400,873	244,663	139,548	367,547	323,713
Capital projects	589,772	430,792	636,718	768,016	492,029	392,388	1,102,830	423,639	1,069,725	225,081
Total	\$ 10,254,424	9,974,230	11,918,985	11,882,716	12,220,975	11,886,208	12,537,817	11,333,494	11,621,765	9,913,737

See accompanying independent auditor's report.



Renner & Birchem, PC

Certified Public Accountants

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Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance
with Government Auditing Standards

To the Officials of Hancock County:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Hancock County, Iowa, as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 12, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hancock County's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Hancock County's internal control. Accordingly, we do not express an opinion on the effectiveness of Hancock County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, significant deficiencies or material weaknesses may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of Hancock County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-A-13 and I-B-13 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-C-14 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hancock County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Hancock County's Responses to Findings


Hancock County's responses to findings identified in our audit are described in the accompanying Schedule of Findings. Hancock County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Hancock County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

December 12, 2014


Renner & Birchem, P.C.
Britt, Iowa

HANCOCK COUNTY

Schedule of Findings

Year ended June 30, 2014

Part I: Findings Related to the Financial Statements:

Internal Control Deficiencies

I-A-14 Segregation of Duties-During our review of internal control, the existing procedures are evaluated in order to determine that incompatible duties, from a control viewpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County's financial statements.

Recommendation-We realize that with a limited number of office employees, segregation of duties is difficult. However, the County officials should continue to review the operating procedures of the office to obtain maximum internal control possible under the circumstances.

Response-In small Counties where there are fewer employees, they sometimes do a variety of duties which may overlap from time to time. However, we try to comply with the segregation of duties as much as possible and continue our review of that work.

Conclusion-Response accepted.

I-B-14 Preparation of Full Disclosure Financial Statements-Internal controls over financial reporting include the actual preparation and review of financial statements, including footnote disclosure, for external reporting, as required by generally accepted accounting principles. Hancock County does not have the internal resources to prepare the full-disclosure financial statements required by GAAP for external reporting. While this circumstance is not uncommon for most governmental entities, it is the responsibility of management and those charged with governance, to prepare reliable financial data, or accept the risk associated with this condition because of cost or other considerations.

Recommendation-We recognize that with a limited number of office employees, gaining sufficient knowledge and expertise to properly select and apply accounting principles and preparing full disclosure financial statements for external reporting purposes is difficult. However, we recommend that County officials continue to review operating procedures and obtain the internal expertise needed to handle all the aspects of external financial reporting, rather than relying on external assistance.

Response-We recognize our limitations, however, it is not fiscally responsible to add additional staff at this time.

Conclusion-Response accepted.

HANCOCK COUNTY

Schedule of Findings

Year ended June 30, 2014

Part I: Findings Related to the Financial Statements: (continued)

I-C-14 Miscellaneous Receipts-During our audit procedures it was determined that not all receipt numbers were not accounted for in the miscellaneous receipt listing.

Recommendation-The County should ensure that all miscellaneous receipt numbers are accounted for even if voided.

Response-We have contacted computer software support to account for all miscellaneous receipts.

Conclusion-Response accepted.

Instances of Non-Compliance

No matters were reported.

HANCOCK COUNTY

Schedule of Findings

Year ended June 30, 2014

Part II: Other Findings Related to Required Statutory Reporting:

II-A-14 Certified Budget-Disbursements during the year ended June 30, 2014 did not exceed the amounts budgeted which is in compliance with chapter 384.20 of the Code of Iowa

II-B-14 Questionable Expenditures-We noted no expenditures that do not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-C-14 Travel Expense-No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

II-D-14 Business Transactions-No business transactions between the County and County officials or employees were noted.

II-E-14 Bond Coverage-Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be periodically reviewed to ensure that the coverage is adequate for current operations.

II-F-14 Board Minutes-No transactions were found that we believe should have been approved in the board minutes but were not.

II-G-14 Deposits and Investments-No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policy were noted.

II-H-14 Resource Enhancement and Protection Certification-The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

II-I-14 County Extension Office-The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an extension council separate and distinct from County operations and consequently, is not included in Exhibits A or B.

Disbursements for the County Extension Office during the year ended June 30, 2014 did not exceed the amount budgeted.